

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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R 181155Z FEB 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 169

C O N F I D E N T I A L CAIRO 2103

EXDIS

DEPT PASS TREASURY AND AID

E.O. 11652: GDS

TAGS: EFIN EG

SUBJECT: EGYPTIAN ARREARAGES

1. IN VIEW GOE ARREARAGES ON CCC,  
GSM-4 CREDITS, CONSOLIDATED DEBT AND AID LOAN NO 263-H-020,  
AID REPRESENTATIVE ARRANGED MEET WITH MINFANCE  
UNDERSEC SARRAF LAST WEEK TO URGE THAT EXPEDITIOUS  
PAYMENT BE MADE. SARRAF WAS ALSO GIVEN SUMMARY OF  
OVERALL GOE 1976 DEBT WITH DUE DATES.
2. SARRAF, WHO AS DEPT AWARE CAN BE A BIT EVASIVE,  
STATED MINFINANCE ABU ISMAIL HAD ISSUED WRITTEN  
INSTRUCTIONS THAT US AND IRANIAN DEBTS SHOULD RECEIVE  
FIRST PRIORITY. HE CLAIMED HE RELIES ON THE CENTRAL  
BANK (CB) FOR DATA ON DEBTS DUE AND THAT CB HAD  
ASKED FOR HIS AGREEMENT TO LET JANUARY 1 AID LOAN PAYMENT  
SLIP UNTIL FEBRUARY BECAUSE OF LACK OF FUNDS. HE  
PROFESSED TO BE SURPRISED THAT JANUARY 1 PAYMENT DUE  
TO CCC HAD NOT BEEN MADE AND UNDERTOOK TO QUERY CB  
AND ADVISE US. HE FAILED TO CALL BACK AND REPEATED  
EFFORTS TO CONTACT HIM WERE UNSUCCESSFUL. WE SUSPECT  
HE WAS DELIBERATELY AVOIDING A FURTHER TALK ON THE SUBJECT.
3. IN VIEW UNSATISFACTORY SITUATION, I TOOK UP MATTER  
DIRECTLY WITH MINFINANCE ABU ISMAIL DURING YESTERDAY'S  
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MEETING WITH LATTER. I GAVE ABU ISMAIL A LETTER ENCLOSING

SAME SUMMARY OF DOLLAR PAYMENTS WHICH GOE WILL OWE US IN 1976 THAT WAS GIVEN TO SARRAF AND ALSO INDICATING THE SEVERAL OVERDUE PAYMENTS. AS I HAVE DONE SEVERAL TIMES IN THE PAST, I URGED THAT GOE KEEP CURRENT ON ITS PAYMENTS TO US TO AVOID PROVIDING GRIST FOR THE MILL OF CRITICS WHO OPPOSE USG AID TO EGYPT.

4. NOTING HE LEFT SUCH MATTERS TO SARRAF, ABU ISMAIL PROFESSED TO BE UNDER THE IMPRESSION THAT GOE IS CURRENT ON ALL DEBT PAYMENTS TO USG. WHEN DELINQUENT PAYMENTS WERE POINTED OUT TO HIM, HE PLEADED GOE'S CONTINUING "LIQUIDITY" PROBLEM AND ASKED OUR UNDERSTANDING. HE INSISTED THAT MINFINANCE HAD AUTHORIZED THE PAYMENTS, BUT THOUGHT CB MUST NOT HAVE HAD THE FUNDS TO MAKE PAYMENTS.

5. AT MY SUGGESTION, HE TELEPHONED SARRAF, WHO HAPPENED TO BE AT CB, AND INQUIRED ABOUT THE STATUS OF PAYMENTS. SARRAF ACKNOWLEDGED SOME PAYMENTS HAD NOT BEEN MADE BECAUSE OF LACK OF FUNDS. HE CLAIMED CB IS NOW PRESSING VARIOUS PUBLIC SECTOR ORGANIZATIONS (UNSPECIFIED), WHO ARE DELINQUENT ON HARD CURRENCY PAYMENTS OWED TO IT, TO MAKE THESE PAYMENTS WITHOUT DELAY. ONCE THESE FUNDS HAVE BEEN OBTAINED, CB WILL BE ABLE TO PAY ITS OVERDUE OBLIGATIONS TO USG. HE HOPED THIS MIGHT BE IN NEXT WEEK OR SO AND AGAIN ASKED FOR OUR UNDERSTANDING. AT MY REQUEST, ABU ISMAIL INSTRUCTED SARRAF TO GET IN TOUCH WITH AID REPRESENTATIVE AS SOON AS SOME MORE DEFINITIVE INFORMATION IS AT HAND.

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## Message Attributes

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**Control Number:** n/a  
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